

eligible property or where HUD otherwise determines that an “arms length” relationship for acquisition does not exist, program funds may not be used for acquisition of the property for the program. However, if the property is owned by an eligible source, it may be donated as match in accordance with § 572.220(b)(4).)

(b) *Recipient closing costs.* Customary and reasonable closing costs of the buyer associated with the purchase of eligible properties under the program.

(c) *Financial assistance to homebuyers.* Provision of assistance to families to make acquisition and rehabilitation of eligible properties affordable, in accordance with § 572.105(b).

(d) *Rehabilitation.* Rehabilitation of the eligible property covered by the homeownership program, in accordance with standards and cost limitations established by HUD in § 572.100.

(e) *Architectural and engineering work.* Architectural and engineering work, and related professional services required to prepare architectural plans or drawings, write-ups, specifications or inspections, including lead-based paint evaluation.

(f) *Relocation.* Relocation of residents in eligible properties who elect to move, in accordance with § 572.145(b).

(g) *Temporary relocation of homebuyers.* Temporary relocation of residents during rehabilitation, in accordance with § 572.145(c).

(h) *Legal fees.* Customary and reasonable costs of professional legal services.

(i) *Replacement reserves.* A single replacement reserve for the properties under the program if necessary, in accordance with § 572.125.

(j) *Homebuyer outreach and selection.* Reasonable and necessary costs of marketing the program to potential homebuyers and of identifying and selecting homebuyers under the program. These costs may include costs related to implementing the affirmative fair housing marketing strategy required under § 572.110.

(k) *Counseling and training.* Counseling and training of only those homebuyers (and their alternates) and homeowners selected under the homeownership program. This may include such subjects as personal financial

management, home maintenance, home repair, construction skills (especially where the eligible family will do some of the rehabilitation), property management for owners of multi-unit properties, and the general rights and responsibilities of homeownership.

(l) *Property management and holding costs.* Reasonable and necessary costs related to properly maintaining and securing eligible properties after acquisition or donation and before sale to an eligible homebuyer. These costs may include property insurance expenses, security costs, property taxes, utility charges, and other costs related to sound property management of recipient-owned properties before sale under the program. These costs may not be charged relative to eligible properties donated to the program by the recipient or another entity that HUD determines does not have an “arm’s length” relationship with the recipient.

(m) *Recipient training needs.* Defraying costs for ongoing training needs of the recipient for courses of instruction that are directly related to developing and carrying out the homeownership program.

(n) *Economic development.* Economic development activities that promote economic self-sufficiency of homebuyers and homeowners under the homeownership program. The economic development activities must be directly related to the homeownership program, and may only benefit families and individuals who are homeowners or who have been selected as homebuyers under the program. These costs are limited to job training or retraining and day care costs of those participating in job training and retraining activities approved under the HOPE 3 program. The recipient must enter into written agreements with the providers of economic development services specifying the services to be provided, including estimates of the numbers of homebuyers and homeowners to be assisted. The aggregate amount of planning and implementation grants that may be used for economic development activities related to any one program may not exceed \$250,000.

(o) *Administrative costs.* Reasonable and necessary costs, as described and valued in accordance with the OMB

Circular Nos. A-87 or A-122, as applicable, incurred by a recipient in carrying out the HOPE 3 program. The total amount that may be spent on administrative activities from the implementation grant and any contribution toward the match may not exceed 15 percent of the amount of the grant. For purposes of complying with the 15 percent limitation, administrative costs do not include the cost of activities that are separately eligible under this section.

(p) *Other activities.* Other activities proposed by the applicant, to the extent the applicant justifies them as necessary for the proposed homeownership program and HUD approves them.

[58 FR 36526, July 7, 1993, as amended at 64 FR 50226, Sept. 15, 1999]

EFFECTIVE DATE NOTE: At 64 FR 50226, Sept. 15, 1999, § 572.215 was amended by revising paragraph (e), effective Sept. 15, 2000. For the convenience of the user, the superseded text is set forth as follows:

§ 572.215 Implementation grants-eligible activities.

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(e) *Architectural and engineering work.* Architectural and engineering work, and related professional services required to prepare architectural plans or drawings, write-ups, specifications, or inspections, including inspections for the purpose of evaluating potential lead-based paint hazards.

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§ 572.220 Implementation grants—matching requirements.

(a) *General requirements.* (1) Except as provided in paragraph (a)(3) of this section, each recipient must assure that matching contributions equal to not less than 33 percent (or 25 percent for grants awarded after April 11, 1994) of the amount of the implementation grant shall be provided from non-Federal sources to carry out the homeownership program. Amounts contributed to the match must be used for eligible activities or in accordance with the requirements of this section.

(2) All contributions toward eligible activities to be counted toward the match must be provided no later than the deadline for completion of program activities established in accordance

with § 572.210(f), except as permitted under paragraphs (b)(1)(iv) and (b)(3) of this section.

(3) When the recipient is an IHA, and the IHA (acting in that capacity) has not received, and will not receive, amounts under title I of the Housing and Community Development Act of 1974 for the fiscal year in which HUD obligates HOPE grant funds, the match requirements under this section will not apply.

(b) *Form.* Contributions may only be in the form of:

(1) *Cash contributions.* (i) Cash contributions from non-Federal resources contributed permanently for uses under the HOPE 3 program by the applicant, non-Federal public entities, private entities, or individuals, except that a cash contribution in the form of a down payment made by an eligible family may not count as a matching contribution. Funds will be considered permanently contributed if all principal, interest, and any other return on the contribution are used for eligible activities in accordance with program requirements.

(ii) Non-Federal resources may include:

(A) Contribution of trust funds held by Federal agencies for Indian tribes;

(B) PHA section 8 operating reserve funds, where approved by HUD;

(C) Income from a Federal grant earned after the end of the award period, if no Federal programmatic requirements govern the disposition of the program income.

(D) Amounts, determined in accordance with paragraph (b)(1)(iv)(B) of this section, that have been requested by the applicant in an application submitted to the Federal Housing Finance Board for assistance under its affordable housing program, so long as the application is approved within 30 days of HUD's conditional approval of the HOPE 3 application.

(iii) Non-Federal resources may not include:

(A) Funds from a Community Development Block Grant under section 106(b) or section 106(d), respectively, of the Housing and Community Development Act of 1974, except to the extent permitted for administrative expenses under paragraph (b)(2) of this section;

(B) Federal tax expenditures, including low-income housing tax credits.

(iv) The grant equivalent of a below-market interest rate loan to the homebuyer from non-Federal resources, where all repayments, interest, and other return will not be permanently contributed to the HOPE 3 program, may be counted as a cash contribution. The grant equivalent of a below market interest rate loan must be calculated in accordance with paragraphs (b)(1)(iv) (A) and (B) of this section—

(A) If the loan is made from proceeds of obligations issued by or on behalf of a public body that are exempt from taxation by the United States, the contribution is the present discounted cash value of the difference between payments to be made on the borrowed funds and payments to be received on the loan to the homebuyer, based on a discount rate equal to the interest rate on the borrowed funds;

(B) If the loan is made from funds other than under paragraph (b)(1)(iv)(A) of this section, the contribution is the present discounted cash value of the yield forgone, calculated based on a discount rate approved or prescribed by HUD. In determining the yield forgone, the recipient must use as a measure of a market yield one of the following, as appropriate:

(1) With respect to housing financed with a fixed interest rate mortgage, a rate equal to the 10-year Treasury note rate plus 200 basis points; or

(2) With respect to housing financed with an adjustable interest rate mortgage, a rate equal to the one-year Treasury bill rate plus 250 basis points.

(v) Cash contributions may also be made from sales proceeds from the Turnkey III Homeownership and Mutual Help programs, as approved by HUD, or an approved homeownership program under section 5(h) of the 1937 Act.

(2) *Administrative costs.* (i) Contributions of eligible administrative services up to a value equal to 7 percent of the amount of the implementation grant. This limitation is in addition to the 15 percent limitation on administrative costs (see § 572.215(o)).

(ii) If an applicant proposes to contribute administrative services, HUD

will automatically approve an applicant's assurances for matching purposes that it will pay eligible administrative costs from non-Federal sources in an amount up to 7 percent of the implementation grant, and will not require further documentation of those expenditures for purposes of the HOPE 3 program. If a recipient uses more than 8 percent of its implementation grant to pay administrative costs, the amount credited toward the match will be reduced to less than 7 percent to stay within the 15 percent limitation.

(iii) Non-Federal resources, for the purposes of counting contributions for administrative costs, may include funds from a Community Development Block Grant under section 106(b) or section 106(d) of the Housing and Community Development Act of 1974 and are subject to the recordkeeping and documentation requirements of that program.

(3) *Taxes, fees, and other charges.* (i) The present value of taxes, fees, or other charges that are normally and customarily imposed but are waived, forgone, or deferred in a manner that facilitates the implementation of a homeownership program assisted under this part. Only amounts that would have been imposed after the date a property is acquired by a recipient or other entity for transfer to eligible families, the effective date of the implementation grant agreement if the recipient already owns the property, or the date after an eligible property is acquired directly from an eligible family, as applicable, may be counted towards the match.

(ii) Amounts that would be waived, forgone, or deferred for longer than 20 years from the date a family acquires homeownership interests in the unit may not be counted towards the match.

(iii) The present value of taxes, fees, or other charges waived, forgone, or deferred must be computed by discounting the estimated amount that would be otherwise payable over the time period (up to 20 years) based on a discount rate approved or prescribed by HUD.

(iv) Where the match includes amounts under paragraph (b)(3) of this